

### **What is “Unbanked?”**

- Unbanked is commonly used as an “umbrella” term to describe diverse groups of individuals who remain outside the banking mainstream for many reasons.

### **Who are the Unbanked people?**

- The most common groups of unbanked people in the United States include:
  - Low income individuals and families
  - Those who are less educated, female-headed households
  - Young adults, families living in rural communities as well as select urban areas
  - Immigrants
- According to the Federal Reserve, about one in 12 families (8.7%) does not have a bank account. The number is higher for the poorest nearly a quarter of families earning less than \$18,900, the Fed said, citing 2004 data.

### **Why are people Unbanked?**

- Lack of understanding about the United States banking system and expectations for having a bank account. Past negative banking experience in the United States or in their homeland. Lack of appropriate identification and/ or documentation needed to open a bank account, unstable living situation; Cultural conflict including bank practices that vary with personal beliefs.

### **Why is a banking relationship important?**

- Research indicates that those who own bank accounts are more likely to own other assets including accounts related to savings, credit, and insurance. Those without financial accounts are less likely to own a home and a car. Consumers without a relationship with a mainstream financial institution also pay high transaction fees for services such as check cashing.

### **Remittances**

- Remittances are a relatively high-margin business and point of entry to immigrant markets. In 2004 U.S. consumers sent \$34 billion to Latin America and the Caribbean, and approximately \$ 6 billion each to India and the Philippines.

### **Introductory checking accounts**

- These “second-chance” checking accounts are geared toward those with poor credit. Customers can be offered a trail account for a particular amount of time that requires financial education programs before they are transitioned to regular checking account.

### **Our Experience with VITA “Second Change” Checking Accounts**

- Over the past two years, opened 111 accounts (94 checking and 17 savings) 47 accounts remain open with individual balances in the hundreds of dollars Charge-offs have been for \$ 864 in overdrafts and \$400 for a stolen bank card & PIN number